

Chief Administrative Officer

November 3, 1997

County of Los Angeles CHIEF ADMINISTRATIVE OFFICE

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To:

Department Contract Managers

Department Risk Managers/Claims Coordinators

From:

Delta Uyenoyama, Chief

Risk Management Operations

COUNTY INDEMNIFICATION AND INSURANCE) REQUIREMENTS: ADDITIONAL INSURED ENDORSEMENTS

The County of Los Angeles utilizes contractors to provide a wide variety of services for the benefit of departments and the public. Use of contractors may also expose the County to liability claims and lawsuits, and therefore County policy requires contractors to indemnify the County for their activities and maintain insurance coverage sufficient to protect themselves and the County against risk.

Contractors are also required to obtain endorsements to their general and auto liability policies naming the County of Los Angeles as an additional insured. Recently, it has been determined that several contractors have failed to name the County as additional insured. In one instance, the contractor's Certificate of Insurance noted the County was named as additional insured when in fact the County had not been added to the insurance policy.

Due to the above, the attached "General Indemnification and Insurance Requirements for County Service Agreements" have been revised to require that contractors provide departments with a certified copy of the additional insured endorsement issued by the insurance company (see page 1, paragraph II - Insurance). It should be noted that a copy of the additional insured endorsement will be required in addition to a Certificate of Insurance.

The revised language should be included in County service agreements effective immediately. Implementation of these requirements will assist in ensuring that claims and lawsuits arising from work done under contract will be paid by the contractor's insurance, and not become the financial responsibility of County departments. Questions concerning the above may be directed to Debra Sartori at (213) 974-1138.

DEJ:SNY DU:DS:i/a Attachments

C:

L. William Pellman, County Counsel S. Robert Ambrose, County Counsel Roger Granbo, County Counsel Phil Miller, County Counsel Gary Miller, County Counsel

GENERAL INDEMNIFICATION AND INSURANCE REQUIREMENTS FOR COUNTY SERVICE AGREEMENTS

Include Sections I and II below in all County service agreements, purchase orders and equipment leases.

- I. Indemnification: Contractor agrees to indemnify, defend, and hold harmless County and its Special Districts, elected and appointed officers, employees, and agents (County) from and against any and all liability and expense, including defense costs and legal fees, arising from or connected with claims and lawsuits for damages or workers' compensation benefits relating to Contractor's operations or its services, which result from bodily injury, death, personal injury, or property damage (including damage to Contractor's property). Contractor shall not be obligated to indemnify for liability and expense arising from the active negligence of the County.
- II. Insurance: Without limiting Contractor's Indemnification of County and during the term of this Agreement, Contractor shall provide and maintain at its own expense the following programs of insurance. Such programs and evidence of insurance shall be satisfactory to the County and primary to and not contributing with any other insurance maintained by the County. Certificate(s) or other evidence of coverage and certified copy(ies) of additional insured endorsement(s), shall be delivered to (INSERT YOUR DEPARTMENT CONTRACT ADMINISTRATOR'S NAME-AND ADDRESS HERE) prior to commencing services under this Agreement, shall specifically identify this Agreement, and shall contain the express condition that County is to be given written notice by registered mail at least thirty (30) days in advance of any modification or termination of insurance.

Failure by Contractor to procure and maintain the required insurance shall constitute a material breach of contract upon which County may immediately terminate or suspend this Agreement.

NOTE: Evaluation of risk must be done on a case by case basis. The following types and limits of insurance coverage may be required from contractors depending upon the nature of the risk exposures associated with the services provided. Questions concerning the following requirements should be referred to CAO - Risk Management at (213) 974-1417.

Select from coverages A - F below as appropriate. As a general rule, contractors should always be required to provide general and auto liability coverage, as well as workers' compensation coverage to meet State of California requirements.

- A. <u>Liability</u>: Such insurance shall be endorsed naming the County of Los Angeles as an additional insured and shall include:
 - - If written with an annual aggregate limit, the policy limit should be three times the above required occurrence limit.
 - b. If written on a claims made form, the Contractor shall be required to provide an extended two year reporting period commencing upon termination or cancellation of this agreement.

Recommended coverage.limits:

- \$ 300,000 for low risk operations.
- \$ 500,000 for moderate risk operations.
- \$1,000,000 or greater for high risk operations.

2.	Comprehensive Auto Liability endorsed for all owned, non-owned
	and hired vehicles with a combined single limit of not less than \$
	per occurrence.

Recommended coverage limits:

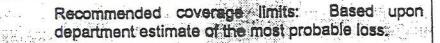
- \$ 300,000 for low risk operations.
- \$ 500,000 for moderate risk operations.
- \$1,000,000 or greater for bigh risk operations.
- B. <u>Workers' Compensation</u>: Insurance in an amount and form to meet all applicable requirements of the Labor Code of the State of California, including Employer's Liability with a \$1,000,000 limit, covering all persons the Contractor is legally required to cover.
- C. <u>Professional Liability</u>: Insurance covering liability arising from any error, omission, negligent or wrongful act of the Contractor, its officers or employees with a limit of liability of not less than \$2 million per medical incident for medical malpractice liability, or of not less than \$2 million per occurrence for all other types of professional liability.

If written on a claims made form, the Contractor shall be required to provide an extended two year reporting period commencing upon termination or cancellation of this agreement.

D. <u>Crime Coverage</u>: Insurance in an amount not less than \$_____ covering against loss of money, securities, or other property referred to hereunder which may result from employee dishonesty, forgery or alteration, theft, disappearance and destruction, computer fraud, burglary and robbery. Such insurance shall name the County as loss payee.

Recommended coverage limits: Based upon department estimate of the most probable loss.

- E. <u>Performance Security</u>: Such surety may be provided by one of the following forms and conditioned upon faithful performance and satisfactory completion of services by Contractor.
 - 1. A Certificate of Deposit or an Irrevocable Letter of Credit payable to the County upon demand and in an amount not less than \$_____.



- A faithful performance bond in the sum equal to 100% of the contract award and executed by a corporate surety licensed to transact business as a surety in the State of California.
- F. <u>Property Coverage</u>: Such insurance shall be endorsed naming the County of Los Angeles as an additional insured and shall include:
 - 1. Real Property All-risk coverage, excluding earthquake and flood, for the replacement value and with a deductible no greater than 5% of the replacement value.
 - Personal Property Insurance covering the hazards of fire, theft, burglary, vandalism and malicious mischief for the actual cash value of the property.

Prepared by:

County of Los Angeles, Chief Administrative Office: Risk Management Operations November 3, 1997

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